

VZCZCXYZ0007  
RR RUEHWEB

DE RUEHSA #0168/01 0251512  
ZNR UUUUU ZZH  
R 251512Z JAN 08  
FM AMEMBASSY PRETORIA  
TO RUEHC/SECSTATE WASHDC 3284  
INFO RUCPDC/DEPT OF COMMERCE WASHDC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0724  
RUEHRL/AMEMBASSY BERLIN 0578  
RUEHBY/AMEMBASSY CANBERRA 0601  
RUEHLO/AMEMBASSY LONDON 1394  
RUEHMO/AMEMBASSY MOSCOW 0724  
RUEHOT/AMEMBASSY OTTAWA 0554  
RUEHFR/AMEMBASSY PARIS 1257

UNCLAS PRETORIA 000168

SIPDIS

SIPDIS  
SENSITIVE

STATE PLEASE PASS USAID  
STATE PLEASE PASS USGS  
DEPT FOR AF/S, ISN, EEB/ESC AND CBA  
DOE FOR T.SPERL, G.PERSON, A.BIENAWSKI, M.SCOTT, L.PARKER

E.O. 12958: N/A

TAGS: [ENRG](#) [EMIN](#) [EPET](#) [EINV](#) [SENV](#) [BEXP](#) [SF](#)

SUBJECT: LOAD-SHEDDING WORSENS - COAL SUPPLY WOES SHUT MINES

REF: Pretoria 132 and previous

¶1. (SBU) SUMMARY: South Africa's state electricity supplier Eskom's load-shedding (rolling outages) is getting worse before it gets better. Major gold and platinum mines have substantially shut down due to Eskom's inability to guarantee electricity supply due to coal supply and quality negatively affected by excessive rains. The mine shut-downs are characterized as temporary, but the resolution timing is unclear. An embattled SAG warned that it may have to invoke "emergency measures" if it cannot achieve a rapid improvement to the coal and electricity situation. Over twenty per cent of Eskom's capacity is unavailable due to planned and unplanned maintenance and coal supply problems. Business and government complain of inadequate coordination and planning from Eskom as it imposes load-shedding and dire measures. End Summary.

-----  
Electricity Crisis Shuts Gold, Platinum Mines  
-----

¶2. (SBU) Gold majors AngloGold Ashanti, Gold Fields, and Harmony Gold, as well as platinum giant Anglo Platinum said on January 25 they had stopped underground mining operations at all South African mines, after state power utility Eskom could not guarantee electricity supply. AngloGold Ashanti's Mponeng Mine General Manager told Energy Officer on January 25 they had not sent down the full production day-shift and were evaluating the night shift, because Eskom could not guarantee its "uninterruptible" electricity supply contract. He said the company had made the decision for safety reasons, even though they have sufficient back-up capacity for ventilation, cooling, and emergency evacuations. According to press statements, all major gold and platinum company spokespersons confirmed that underground production had halted.

-----  
Wet Coal Supply is the Culprit  
-----

¶3. (SBU) A Chamber of Mines official told Energy Specialist that Eskom had called late on January 24 to advise mines to run on "survival power only" as a temporary measure on January 25. He cited flooding of the coal stockpile at Eskom's largest coal-fired plant, 4,100 MW Kendal in the northern province of Mpumalanga, so

that the plant was attempting to run on direct coal production from the contiguous mine. Sustained heavy rains in northern South Africa are negatively affecting coal supply and quality in open pit mines, as well as hurting coal transport logistics.

-----  
SA May Invoke "Emergency Measures"  
-----

14. (SBU) The SAG warned on January 24 that it might have to invoke "emergency measures" to safeguard adequate quantity and quality of coal to Eskom. Public Enterprises Minister Alec Erwin announced there would be urgent engagement with the country's coal-miners over the next few days to encourage a voluntary response. Speaking at a media briefing, he said: "Should there be no rapid improvement, we will not hesitate to use emergency measures". Erwin referred to a Qwill not hesitate to use emergency measures". Erwin referred to a hike in electricity prices, mandatory sectoral quotas, rigorous conservation, renewable energy, and penalty and incentive systems, but did not provide details on implementation. He insisted that the SAG would not stop contracted projects or freeze new projects. Erwin acknowledged that the situation was exacerbated at present by the heavy and unrelenting rains of the past week. He apologized for the "unprecedented and unplanned" outages, saying that, when it came to making timely plans to expand supply to cope with increased electricity demand, "government got it wrong."

15. (U) In a press statement released on January 25, the SAG stated that the electricity outages "must now be treated as a national electricity emergency that has to be addressed with the urgent, vigorous and coordinated actions commensurate with such an emergency situation." In addition: "We are running our power system at utilization levels that are over-stretching maintenance and if we do not stabilize this, we could drive our systems into higher levels of stress - this we cannot do!" Finally, "the situation constitutes an emergency and we are taking emergency steps to move the system out of its current state of criticality, including creating an emergency task team led by the Minister of Energy. There is no threat to the successful holding of the World Cup in 2010 as plans to ensure electricity security in that period are well advanced."

16. (SBU) Eskom has described 20 percent of its almost 40,000 MW capacity as unavailable over the last week because of planned and unplanned maintenance. Its reserve margin is identified as anywhere from zero to eight percent. Eskom said on January 25 that 10,000 MW - or 25 percent - of its capacity was unavailable, finally forcing the unprecedented call to the mining industry to effectively shut down. Eskom has also admitted to facing a dire skills shortage. Senior Eskom officials corroborated separately to Energy Officer and Energy Specialist that the company was experiencing significant skills shortages. Finally, the Eskom officials noted that Eskom's fairly old infrastructure was exhibiting increased need for maintenance and repairs due to age, high usage, and deferred maintenance. They also corroborated problems with coal supply, quality, and handling.

-----  
How Do We Get Out of This?  
-----

17. (SBU) Eskom and the SAG have mooted many ways to mitigate the electricity supply deficit from rationing (per Brazilian experience), voluntary or mandated conservation, solar power (residential water heaters and traffic lights - if it ever stops raining), other renewable energy measures, and co-generation. Eskom targets five-year capital expenditures of around \$ 43 billion and calls for substantial price increases over time to reach international standards. An Eskom report indicated that reserve margins will remain well below the international standard of 10-15 percent through 2014 when significant new coal-fired plants come on-line. An advisor at the Presidency complained to Economic Officer that Eskom was not coordinating its actions, and even suspected that it was hyping the problem to get the government to approve capital injections and back out of the Coega mega aluminum smelter project (owned by Rio Tinto-Alcan, near Port Elizabeth). Before the current crisis, Eskom and the SAG were proposing greater cooperation with industry and better planning and warning for enforced load-shedding. AngloGold Ashanti's Mponeng Mine's General

Manager told Energy Officer that they had had a good relationship with Eskom and - until January 25 - had had no reason to question their "uninterruptible" supply. In addition, the mine was able to help Eskom with over 20 percent voluntary sustained reduction in use of power.

¶18. (SBU) South Africans continue to endure the strain of load-shedding across the country and its negative impact on traffic, security, business, and lifestyle. The press is full of stories of costs to small and large businesses. Supermarkets, cinemas, and many small businesses regularly go dark. The cable car at Table Mountain in Cape Town even stopped for a few hours due to load-shedding and failure of emergency systems, trapping dozens of tourists in a suspended cable car. There is a run on generators - for those that can afford them, so there are reports of shortages of generators. Some industry observers have warned of potential diesel fuel shortfalls in northern South Africa.

¶19. (SBU) There is also confusion about the status of South Africa's exports to neighbors. In Minister Erwin's press conference, there was emphasis that there would be no cutting of power supply to other countries to improve South Africa's supply, perhaps reflecting political allegiance to the Southern African pool system. While South Africa exports nominal amounts to Namibia, Botswana, and - previously - Zimbabwe, it imports 1,400 MW from Mozambique and plans to import large amounts from Lesotho. The amount of imported power from Mozambique has gone down from time to time during recent episodes of load-shedding and Eskom's projections show it in question. Eskom officials have told Embassy officers that the export contracts with neighbors are "infirm" and therefore interruptible in the event of no surplus supply (like now). The Namibian press has reported that its imports are reduced or stopped and that the local power utility has to use expensive local generators to produce power.

-----  
COMMENT - Load-Shedding as a Way of Life  
-----

¶10. (SBU) The proximate cause of load-shedding has shifted from excessive demand to problems with supply. It appears that load-shedding will remain a sustained problem over coming years while waiting for new supply. There is broad recognition that the government dithered over grappling with the potential role of the private sector, and subsequently failed to heed warnings from Eskom and its own 1998 energy policy that it needed to bring on new plants in the face of growing demand from both economic growth and increasing electrification. The South African grid will remain at risk to unplanned maintenance outages in its aging and inadequately maintained infrastructure. There is likelihood that the SAG will cut corners from an environmental perspective to seek to bring on line new and de-moth-balled facilities, while it runs its existing stock flat-out.

BOST